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Federal Communications Commission  
Office of Secretary

April 25, 1997

HAND DELIVERY

William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

Re: Ex Parte Presentation  
CC Dkt. No. 96-45 CC Dkt. No. 96-263

Dear Mr Caton:

This letter is to notify you that Barbara Dooley, of the Commercial Internet eXchange Association ("CIX"), Ronald Plessner and I met today with Thomas Boasberg, Legal Advisor to Chairman Hundt. During the meeting, we discussed Commercial Internet eXchange's ("CIX") position on USF funding for "advanced services" to schools and libraries and CIX's position on changes to end-user SLC's and access charges. The attached one-page position paper summarizes CIX's position on both issues. CIX expressed its view that, while it supports the Joint Board Recommended Decision for subsidized Internet access services to schools and libraries, there is significant risk of litigation. Given this, CIX believes that the most appropriate implementation of Section 254(h) is to provide explicit subsidies for the underlying *telecommunications services* that facilitate the offering of Internet access services, as further described in the attached position paper.

In addition, CIX conveyed its view that, by raising end-user access charges that ISPs and other business users pay, there is little justification for per-minute ISP access charges.


During the meeting, CIX provided Mr. Boasberg with a copy of the attached position paper and the attached CIX membership brochure. An original and three copies

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William F. Caton  
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of this letter is transmitted herewith for inclusion in the above-referenced dockets.  
Should you have any questions concerning this matter, please feel free to contact the  
undersigned.

Sincerely,

  
Mark J. O'Connor

cc: Thomas Boasberg

### **CIX POSITION ON USE REFORM**

#### **"Advanced Service" Subsidies To Schools and Libraries Must Be Competitively Neutral**

Section 254(h)(2) of the Act requires the Commission to adopt rules for "advanced services" subsidies to schools and libraries that are "*competitively neutral*." Subsidies that go for Internet access services of carrier-based ISPs only, and that exclude non-carrier based ISPs, are not competitively neutral. Instead, a carrier-based ISP subsidy would exclude the vast majority of the over 3,000 U.S. Internet access providers, and would result in significant competitive favoritism for carrier-based ISPs.

Given the current controversy over direct subsidies to enhanced service providers that do not pay into the USF, CIX believes the most appropriate implementation of Section 254(h) is to provide explicit subsidies for the underlying *telecommunications services* (e.g., T1 lines, ISDN PRI service) that facilitate the offering of Internet access services. The Internet access service of the telecommunications carrier (or any other information service), however, should not be subsidized. To maintain "competitive neutrality," the Commission should ensure that all ISPs are able to offer their competitive information services via the discounted telecommunications service.

In this way, the schools benefit from the discount on telecommunications service, and the benefit of choosing from a host of competitive prices and services offered from the full range of Internet access providers, both carrier-based and non-carrier-based. Non-carrier-based ISPs also benefit with the opportunity to compete for customers in the schools and libraries market, and the telecommunications carrier is able to obtain USF support for the provision of the underlying telecommunications service.

#### **Cost-Based and Fair Reform of Subscriber Line Charge Caps**

As end-users of the PSTN, Internet providers accept that they must pay a reasonable portion of the costs to support local exchange services. Proposed increases to the multi-line business and second-line residential SLC caps will significantly impact Internet providers, and must only be implemented if such increases are cost-justified. However, cost-based increases to the SLC caps may be reasonable as the Commission takes on the complex task of reforming the access charge regime.

Moreover, broad-based access charges applied to all end-users, such as the SLC, are more tolerable than access charges that are specifically targeted at the Internet access industry or data users. Thus, a virtual-channel SLC charge (which would inhibit deployment of ISDN service) and usage-based Internet charges for access to the PSTN are not reasonable and unfairly allocate local exchange costs on ISPs and Internet users.

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#### To the Industry...

The Internet has emerged as a core element of the global information infrastructure. There are serious issues that remain to be resolved, such as:

- Concerns regarding decency, privacy and copyright liability that have taken on global proportions with passionate interested parties
- Quality of Service
- Legislative and regulatory constraints that vary from country to country
- Unequal development of the global Internet infrastructure
- National interests that must be protected while global interests are addressed

Many national and international forums are addressing these issues and where they are, CIX is a notable presence.

CIX members have taken a stand for an open, competitive, and self-regulated global commercial Internet.

The role of CIX is to break through the barriers that are in the way of this progress. In 1997 we will be addressing critical questions, such as:

Who makes the rules?

What are the rules?

How will the rules be enforced?

CIX represents the interests of Internet access and service providers around the world. Since its inception in 1991, CIX has grown into a powerful voice of this maturing industry.

Robert D. Collet  
Chairman of the Board  
Commercial Internet eXchange



# CIX

Commercial  
Internet  
eXchange®



## What does CIX® do for the ISP industry?

### Phase 1: Mission

**CIX** provides a commercial interconnection point alternative to the NSF backbone in the US.

#### 1991-1994

- CIX** establishes an exchange point in California
- CIX** files to become trade association for ISPs

#### 1995

**CIX** participates in industry events around the world:

- NANOG (North American Network Operator's Group)
- RIPE (Réseau IP Européens)
- IETF (Internet Engineering Task Force)
- ISOC (Internet Society)
- NSF (National Science Foundation)
- FARNET (Federation of American Research Networks)
- MIT's Internet Economics Forums
- Harvard University's Information Infrastructure Project

**CIX** helps US transition to the privatized commercial Internet

**CIX tra** becomes international ISP newsletter

**CIX** becomes recognized voice of ISPs before US Congress and FCC

**CIX** develops specifications for Internet Registry Tool Set

**CIX** prepares industry White Papers

#### 1996

**CIX** achieves NGO observer status with WIPO (World Intellectual Property Organization);

attends Diplomatic Conference on copyright in Geneva

**CIX** sponsors

- APPLe (Asia Pacific Policy and Legal) Working Group, Montreal
- APPLe, Singapore

- APRICOT (Asia Pacific Regional Internet Conference on Operation Technology), Singapore
- Asia Telecom@Internet '96, Hong Kong

- TeleCompetition '96, Washington DC

- Coordination and Administration of the Internet, Harvard University

- Telecom@Internet II, Geneva

- Spring Internet World, San Jose, California

- Fall Internet World, New York

- NANOG, Washington DC

- Next Generation Telephony, Washington DC

**CIX** actively promotes regulatory government policy and legal frameworks for an open and competitive ISP industry.

### Phase 2: Mission

## Why does the ISP industry need CIX®?

### Phase 3: Mission

**CIX** facilitates the profitability and utility of the ISP industry by:

- promoting Internet relevant policy forums and markets
- encouraging Internet universal connectivity
- disseminating information on industry growth and responsiveness
- working to maximize the social benefits of the Internet and seeking fair commercial environments

#### 1997

### CIX Global Initiatives

**CIX** continues to represent its members' interests globally (OECD, WIPO, G7 and the European Commission, as well as the FCC in the US) on the growing range of ISP industry concerns.

### Public Policy Issues

Electronic Commerce, Property Rights, Indecency, Defamation, Data Privacy, Encryption, Restraint of Trade

### Legislative

Internet Taxes, Property Rights, Databases, Copyright, Content Regulation

### Courts

Decisions and Rulings with broad application

### Internet Infrastructure

Governance, Coordination, Funding, Internet Technical Standards, Quality of Service

### Regulatory

Access Charges, Universal Service, Interconnection

### CIX NAP

Co-located with the Digital Internet Exchange in Palo Alto, California

### Member Benefits

- Industry Newsletter (**CIX tra**)
- Market Research and Reports
  - Global ISP Infrastructure Survey and Analysis
  - Electronic Commerce and the ISP Industry
- Policy and Management Committees
  - Telecommunications, Internet Governance, Intellectual Property, Privacy and Security, Infrastructure, Quality of Service
- Membership Meetings and Workshops
- Valuable Special-offers for CIX members only

